

Review of Operations

TRADING & INDUSTRIAL DIVISION

The Trading & Industrial Division has interests in Hong Kong, Taiwan, Mainland China and Vietnam, which comprise wholly-owned and joint-venture investments in:

Importing and retailing of motor vehicles

Distribution and retailing of sports and casual footwear and apparel

Packaging and retailing of sugar products

Marble cutting and contracting

Waste management

Aluminium can manufacture

Paint manufacture

	2004 HK\$M	2003 HK\$M
Turnover		
Taikoo Motors group	3,265	2,570
Swire Resources group	1,167	857
Other subsidiaries	307	247
	4,739	3,674
Operating profits/(losses)		
Taikoo Motors group	147	106
Swire Resources group	96	55
Other subsidiaries and head office costs	(19)	(36)
Profit on sale of property	16	–
Discontinued businesses	14	–
	254	125
Attributable profits/(losses)		
Taikoo Motors group	106	72
Swire Resources group	71	43
Other subsidiaries and head office costs	(16)	(23)
Profit on sale of property	16	–
Discontinued businesses	14	–
	191	92
Share of profits/(losses) before taxation jointly controlled companies		
Swire SITA group	101	101
CROWN Beverage Cans group	57	44
ICI Swire Paints	40	17
Swire Resources group	13	12
Write-off of sports footwear franchise	–	(6)
	211	168
	375	238
Attributable profit		
	2004	2003
Vehicles sold	12,322	9,530
Shoes sold (pairs)	2.06	1.91
Retail outlets in Hong Kong	86	71
Retail outlets in Mainland China	44	36
Brands managed	18	19



18:30

2004 OVERVIEW

All of the division's operations benefited from strong economic growth across the region in 2004 with increased sales and profits. Full year attributable profit was HK\$375 million, a 57% increase on 2003.

Subsidiary Companies

Taikoo Motors Taiwan

Taikoo Motors achieved a profit of HK\$106 million, a 47% increase over 2003. The company is the importer of Audi, VW and Kia passenger cars. This is a strong portfolio giving exposure to all key sectors of the passenger car market. The company sold 12,322 vehicles in Taiwan in 2004 which makes it the largest importer of vehicles to that market. Taikoo Motors also operates 13 retail dealerships. During the year, the company started the 'complete-knock-down' assembly of Volvo trucks and buses. In 2005, the company will commence distribution of VW light commercial vehicles. With the growing strength and breadth of its product offering, Taikoo Motors looks forward to another strong performance in 2005.

Swire Resources

Swire Resources, which distributes and retails sports shoes and apparel, returned a profit of HK\$80 million in 2004, well ahead of the HK\$51 million in 2003. The company is the importer of 14 sports brands in Hong Kong and also operates 86 retail stores in the territory. For the first time, sales of sports apparel exceed sales of sports shoes. With reduced discounting, margins were generally higher than in 2003. The company's Mainland China business also recorded strong growth in both wholesale and retail operations and now operates 44 retail outlets in Shanghai and Beijing.

The focus in 2005 will be on expanding the presence of the company's key brands on the Mainland where growth opportunities remain attractive.

Taikoo Sugar

Taikoo Sugar recorded a loss of HK\$4 million in 2004. Retail sales in Hong Kong were generally in line with last year but significant promotional expenses incurred while relaunching the brand in Mainland China resulted in losses.

Swire Duro

Swire Duro enjoyed improved results in 2004. Although the factory was under utilised for much of the year, demand picked up in the fourth quarter which augurs well for 2005.

Jointly Controlled Companies

Swire SITA Waste Services

Swire SITA Waste Services earned attributable profits before tax of HK\$101 million in 2004, essentially flat on the prior year. Tonnage receipts at the Hong Kong transfer stations and landfills were down on the prior year but costs were well controlled and the company benefited from steadier pricing as deflation ceased in the territory for the first time in five years. The company's waste-to-energy incineration contract in Taiwan continues to return a loss but the result was significantly better than in 2003. CSR Macau, the company's partly-owned waste management company in Macau, had a satisfactory year with operating profits up slightly on the prior year. During the year the company reached agreement to take a 40% stake in a hazardous waste incinerator currently under construction in Shanghai. Operations are expected to commence in July 2006 with the joint-venture enjoying rights to operate the facility for 50 years.

CROWN Beverage Cans group

The CROWN Beverage Cans group earned attributable profits before taxation of HK\$57 million in 2004 from its four plants in Mainland China and operation in Hanoi, slightly up on 2003. Demand was well ahead of the prior year but sharply increased aluminium costs put pressure on margins. Prospects for 2005 are satisfactory although margins will continue to be under pressure.

ICI Swire Paints

ICI Swire Paints had another good year in Mainland China with sales from its two plants in Guangzhou and Shanghai growing 38% by value over 2003, the sixth successive year of robust sales growth. The company has made a successful debut in the mid-tier market for paint in Mainland China and developed its distribution network into a number of secondary cities. The attributable share of profit before tax was HK\$40 million, up from HK\$17 million in 2003. The company is confident of continued strong growth in volumes through the development of new markets on the Mainland.